



COUNCILMEMBER DONNA FRYE

**City of San Diego
Sixth District**

MEMORANDUM

DATE: May 11, 2007

TO: Honorable Mayor Sanders
Jay Goldstone, Chief Financial Officer
Greg Levin, Deputy Comptroller

FROM: Councilmember Donna Frye

SUBJECT: Component Unit Audits

Donna Frye

The 2003 Comprehensive Annual Financial Reports (CAFRs) for the component units of the City were audited by the same firm that audited the City's 2003 CAFR, Caporrici & Larsen.

However, we now know that when KPMG re-audited the City's 2003 CAFR it found more than \$1 billion in errors requiring an astonishing 66 restatements and a reportable material weakness in financial reporting internal controls. While some of those restatements are related to the component units, it appears that KPMG did not provide the same level of independent audit scrutiny to any of the component units and essentially relied on the 2003 work of Caporrici and Larsen.

Therefore, it is possible that material problems still exist in the 2003 CAFRs of the component units. Please provide a written response explaining what KPMG audited in regards to all the City's the component units.

Thank you for your prompt response.

CC: Honorable City Council
City Attorney, Michael Aguirre
Independent Budget Analyst, Andrea Tevlin
Stanley Keller, Independent Monitor
Steve DeVetter, KPMG

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